

**NICE COMMUNITY SCHOOL DISTRICT
ISHPEMING, MICHIGAN**

**FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

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INDEPENDENT AUDITORS' REPORT

Board of Education
NICE Community School District
Ishpeming, Michigan 49849

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the NICE Community School District, Ishpeming, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the NICE Community School District, Ishpeming, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 34 through 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
NICE Community School District
Ishpeming, Michigan 49849

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NICE Community Schools District, Ishpeming, Michigan's basic financial statements. The combining and individual non-major fund financial statements and schedules are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 13, 2008

NICE Community School District

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of NICE Community School District's (District) financial performance provides an overview of the District's financial activities for the year ended June 30, 2008. Please read it in conjunction with the financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- Net assets for NICE Community School District as a whole were reported at \$3,877,862. Nets assets are comprised of 100% governmental activities.
- During the year, NICE Community School District expenses were \$11,486,329 while revenues from all sources totaled \$12,205,554, resulting in an increase in net assets of \$719,225.
- The general fund reported an increase of \$263,339 before other financing sources (uses) and a total decrease of \$116,429. This is \$280,678 lower than the forecasted decrease of \$397,107. This was a result of revenues being \$118,571 higher than forecasted, expenses being \$189,555 lower than forecasted and transfers out being \$27,448 higher than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand NICE Community School District financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities the District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the District's operations in more detail than the district-wide statements by providing information about the District's most significant fund – the General Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the NICE Community School District as a whole begins on page 6. One of the most important questions asked about the District's finances is "As a whole, what is the NICE Community School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The District's net asset, the difference between assets and liabilities, is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating.

Management's Discussion and Analysis (Unaudited) (Continued)

The relationship between revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the District's capital assets, to assess the overall financial health of the District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the District, which encompass all the District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the District's major funds begins on page 8. The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the District's Board has established other funds to help it control and manage money for particular purposes.

- *Governmental funds* – All of the District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The School District as a Whole

Table 1 provides a summary of the District's net assets as of June 30, 2008:

Table 1		
Net Assets		
	Governmental Activities-2008	Governmental Activities-2007
Current and other assets	\$5,123,137	\$5,223,256
Capital assets, net	9,118,974	8,686,710
Total Assets	14,242,111	13,909,966

Management's Discussion and Analysis (Unaudited) (Continued)

Table 1 (Continued)

	Governmental Activities-2008	Governmental Activities-2007
Current liabilities	\$4,215,745	\$3,994,505
Long-term liabilities	6,148,504	6,806,824
Total Liabilities	<u>10,364,249</u>	<u>10,751,329</u>
Net Assets:		
Invested in capital assets, net of related debt	2,678,858	1,684,756
Restricted	823,883	1,071,946
Unrestricted	375,121	401,935
Total Net Assets	<u>\$3,877,862</u>	<u>\$3,158,637</u>

The District's net assets were \$3,877,862 at June 30, 2008. Capital assets, net of related debt totaling \$2,678,858, compares the original cost, less depreciation of the District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$375,121 was unrestricted.

The \$375,121 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the District as a whole are reported in the Statement of Activities (see Table 2).

**Table 2
Changes in Net Assets**

	Governmental Activities – 2008	Governmental Activities – 2007
Revenues:		
Program revenues:		
Charges for services	\$437,063	\$399,520
Operating grants and contributions	1,559,041	1,468,318
General revenues:		
Property taxes	2,613,516	2,865,603
State sources not restricted to specific program	7,420,850	7,666,526
Contributions and other unrestricted grants	-	14,500
Investment earnings	112,440	\$122,516
Miscellaneous	62,644	75,270
Total Revenues	<u>12,205,554</u>	<u>12,612,253</u>
Program Expenses:		
Instruction	6,603,511	6,829,776
Supporting services	3,669,387	3,350,403
Community services	21,066	18,757
Food service activities	344,444	321,806
Athletic activities	234,391	272,592

Management's Discussion and Analysis (Unaudited) (Continued)

Table 2 (Continued)

	Governmental Activities – 2008	Governmental Activities – 2007
Depreciation – unallocated	\$364,255	\$347,425
Interest on long-term debt	249,275	357,538
Total Expenses	11,486,329	11,498,297
Increase (decrease) in net assets	719,225	1,113,956
Net assets, beginning	3,158,637	2,044,681
Net Assets, Ending	\$3,877,862	\$3,158,637

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$11,486,329. Certain activities were partially funded from those who benefited from the programs \$437,063 or by other governments and organizations that subsidized certain programs with grants and categoricals \$1,559,041. We paid for the remaining "public benefit" portion of our governmental activities with \$2,613,516 in taxes, \$7,420,850 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The District experienced an increase in net assets for the year of \$719,225.

Table 3 presents the cost of each of the District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the District's operation.

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$6,603,511	\$5,176,940
Supporting services	3,669,387	3,518,553
Food service activities	344,444	20,468
Athletic activities	234,391	139,668
Totals	\$10,851,732	\$8,855,628

The net cost shows the financial burden that was placed on the State and the District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health.

As the District completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$1,626,140, a decrease of \$378,486 from the beginning of the year.

Management's Discussion and Analysis (Unaudited) (Continued)

General Fund Budgetary Highlights

Over the course of the year, the District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the District had \$9,118,974 invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below)

Table 4
Capital Assets at Year-End

	Governmental Activities – 2008	Governmental Activities – 2007
Land	\$41,000	\$41,000
Land improvements	655,917	549,737
Buildings	13,037,932	12,964,918
Machinery and equipment	1,274,685	783,360
Vehicles	1,227,702	1,101,702
	16,237,236	15,440,717
Less accumulated depreciation	(7,118,262)	(6,754,007)
Totals	<u>\$9,118,974</u>	<u>\$8,686,710</u>

This year's additions of \$796,519 included various land and building improvements financed through sinking fund millage. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the District had \$6,584,160 in bonds and installment loans outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2008	Governmental Activities – 2007
General obligation bonds	\$6,117,037	\$6,700,000
Installment loans	323,079	301,954
Durant debt	144,044	144,044
Totals	<u>\$6,584,160</u>	<u>\$7,145,998</u>

Management's Discussion and Analysis (Unaudited) (Continued)

There was one new installment loan issued this year. We present more detailed information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets

The Board and administration consider many factors to develop budgets. The district has budgeted expenditures that exceed revenues for 2007-08 and in 2008-09 the difference being made up from fund balance. The 2009-10 budget plans to balance revenues and expenditures through various budget reductions and upcoming negotiation plans. District enrollment has stabilized and should help keep future revenues steady. Locally, new mining interests in the area will bring increased tax values as well as new employment opportunities in the area.

Contacting the School District's Financial Management

This financial report is designated to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the NICE Community School District, 300 Westwood Drive, Ishpeming, Michigan, 49849.

NICE Community School District
Statement of Net Assets
June 30, 2008

	Governmental Activities	Component Unit
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,055,001	\$ 153,334
Investments	2,337,309	153,550
Accounts receivable	1,713,836	1,951
Prepaid expenses	16,991	-
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	5,123,137	308,835
	<hr/>	<hr/>
Noncurrent assets:		
Land	41,000	-
Other capital assets	16,196,236	86,809
Less accumulated depreciation	(7,118,262)	(69,275)
	<hr/>	<hr/>
TOTAL NONCURRENT ASSETS	9,118,974	17,534
	<hr/>	<hr/>
TOTAL ASSETS	14,242,111	326,369
	<hr/>	<hr/>
LIABILITIES:		
Current liabilities:		
Accounts payable	590,744	1,021
Accrued liabilities	704,753	1,232
Accrued interest	46,326	-
Deferred revenue	1,500	-
State anticipation note	2,200,000	-
Current portion of long-term debt obligations	672,422	-
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	4,215,745	2,253
	<hr/>	<hr/>
Noncurrent liabilities:		
Compensated absences	151,766	-
Early retirement	85,000	-
Bonds payable	5,670,467	-
Installment loans payable	241,271	-
	<hr/>	<hr/>
TOTAL NONCURRENT LIABILITIES	6,148,504	-
	<hr/>	<hr/>
TOTAL LIABILITIES	10,364,249	2,253
	<hr/>	<hr/>
NET ASSETS:		
Invested in capital assets net of related debt	2,678,858	17,534
Restricted:		
Debt service and capital projects	778,803	-
Scholarships endowments	45,080	-
Unrestricted	375,121	306,582
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 3,877,862	\$ 324,116
	<hr/>	<hr/>

See Notes to Financial Statements.

NICE Community School District
Statement of Activities
For the Year Ended June 30, 2008

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Component Unit
Governmental Activities:					
Instruction	\$ 6,603,511	\$ 174,306	\$ 1,252,265	\$ (5,176,940)	
Supporting services	3,669,387	-	150,834	(3,518,553)	
Community services	21,066	-	-	(21,066)	
Food service activities	344,444	175,231	148,745	(20,468)	
Athletic activities	234,391	87,526	7,197	(139,668)	
Interest on retirement of debt	249,275	-	-	(249,275)	
Depreciation- unallocated	364,255	-	-	(364,255)	
TOTAL GOVERNMENTAL ACTIVITIES	<u>11,486,329</u>	<u>437,063</u>	<u>1,559,041</u>	<u>(9,490,225)</u>	
Component Unit:					
Instruction and instructional support	<u>\$ 434,847</u>	<u>59,021</u>	<u>344,659</u>		<u>\$ (31,167)</u>
General revenues:					
Taxes					
Property taxes, levied for general purposes				1,373,704	-
Property taxes, levied for debt services and sinking fund				1,239,812	-
State Aid not restricted to specific purposes				7,420,850	-
Contributions and other unrestricted grants				-	18,425
Interest and investment earnings				112,440	10,864
Miscellaneous				62,644	901
TOTAL GENERAL REVENUES				<u>10,209,450</u>	<u>30,190</u>
CHANGES IN NET ASSETS				719,225	(977)
Net Assets, July 1				<u>3,158,637</u>	<u>325,093</u>
NET ASSETS, JUNE 30				<u>\$ 3,877,862</u>	<u>\$ 324,116</u>

See Notes to Financial Statements.

**NICE Community School District
Governmental Funds
Balance Sheet
June 30, 2008**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
ASSETS:					
Cash and cash equivalents	\$ 371,021	\$ 469,817	\$ 191,273	\$ 22,890	\$ 1,055,001
Investments	2,114,262	182,677	-	40,370	2,337,309
Accounts receivable	1,711,277	-	-	2,559	1,713,836
Due from other funds	18,226	-	-	1,952	20,178
Prepaid expenditures	16,991	-	-	-	16,991
TOTAL ASSETS	\$ 4,231,777	\$ 652,494	\$ 191,273	\$ 67,771	\$ 5,143,315
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 523,267	\$ -	\$ 64,964	\$ 2,513	\$ 590,744
Accrued liabilities	704,753	-	-	-	704,753
Due to other funds	-	-	-	20,178	20,178
State aid notes payable	2,200,000	-	-	-	2,200,000
Deferred revenue	1,500	-	-	-	1,500
TOTAL LIABILITIES	3,429,520	-	64,964	22,691	3,517,175
FUND BALANCES:					
Reserved for:					
Retirement of debt	-	652,494	-	-	652,494
Capital projects	-	-	126,309	-	126,309
Scholarships and endowments	-	-	-	45,080	45,080
Unreserved	802,257	-	-	-	802,257
TOTAL FUND BALANCES	802,257	652,494	126,309	45,080	1,626,140
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,231,777	\$ 652,494	\$ 191,273	\$ 67,771	\$ 5,143,315

See Notes to Financial Statements.

**NICE Community School District
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008**

Total Fund Balances for Governmental Funds	\$	1,626,140
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

	Cost of capital assets	16,237,236	
	Accumulated depreciation	<u>(7,118,262)</u>	
			9,118,974

Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:

Compensated absences	151,766		
Early retirement	85,000		
Bonds payable	6,261,081		
Installment loans	323,079		
Accrued interest	<u>46,326</u>		
			(6,867,252)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>3,877,862</u>
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See Notes to Financial Statements.

**NICE Community School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
REVENUES:					
Property taxes	\$ 1,373,704	\$ 434,715	\$ 294,232	\$ -	\$ 2,102,651
Other local sources	158,885	246,603	264,262	262,616	932,366
State sources	8,562,961	-	-	15,077	8,578,038
Federal sources	233,316	-	-	133,668	366,984
Other sources	174,305	29,929	5,422	7,179	216,835
TOTAL REVENUES	10,503,171	711,247	563,916	418,540	12,196,874
EXPENDITURES:					
Current:					
Instruction	6,351,792	-	-	-	6,351,792
Supporting services	3,651,101	-	-	578,835	4,229,936
Community services	-	-	-	5,700	5,700
Debt Service:					
Principal	52,720	582,963	27,155	-	662,838
Interest and fees	7,812	236,439	7,243	-	251,494
Capital outlay	176,407	-	653,089	-	829,496
Other	-	8,125	-	-	8,125
TOTAL EXPENDITURES	10,239,832	827,527	687,487	584,535	12,339,381
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	263,339	(116,280)	(123,571)	(165,995)	(142,507)
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	101,000	-	-	-	101,000
Insurance recoveries	8,680	-	-	-	8,680
Transfers from other funds	-	-	-	143,789	143,789
Transfers to local districts	(345,659)	-	-	-	(345,659)
Transfers to other funds	(143,789)	-	-	-	(143,789)
TOTAL OTHER FINANCING SOURCES (USES)	(379,768)	-	-	143,789	(235,979)
NET CHANGE IN FUND BALANCES	(116,429)	(116,280)	(123,571)	(22,206)	(378,486)
Fund Balance, July 1	918,686	768,774	249,880	67,286	2,004,626
FUND BALANCE, JUNE 30	\$ 802,257	\$ 652,494	\$ 126,309	\$ 45,080	\$ 1,626,140

See Notes to Financial Statements.

**NICE Community School District
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ (378,486)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	364,255	
Capital outlays	(796,519)	
		432,264

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (101,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 662,838

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 101,390

Interest on long-term debt is recorded as an expenditure in the funds when it due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the net amount of accrued interest recognized in the statement of activities. 2,219

Change in Net Assets of Governmental Activities		\$ 719,225
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See Notes to Financial Statements.

**NICE Community School District
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008**

	<u>Agency Fund</u>
ASSETS:	
Cash and equivalents	<u>\$ 74,734</u>
TOTAL ASSETS	<u><u>\$ 74,734</u></u>
 LIABILITIES:	
Due to groups, organizations and activities	<u>\$ 74,734</u>
TOTAL LIABILITIES	<u><u>\$ 74,734</u></u>

See Notes to Financial Statements.

NICE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the NICE Community School District conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

Reporting Entity

The District is a local school district as defined by Michigan law that operates under a locally elected seven member Board form of government, and that provides elementary and secondary education and related support services to the residents of National Mine, Ishpeming, Champion, Ely, Tilden, and Humboldt Townships in Marquette County and Spurr Township in Baraga County.

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of the criteria described above, it has been determined that the Community Education Division of the Ishpeming, Negaunee, and NICE Community School Districts is a discretely presented component unit of NICE Community School District due to its financial interdependency. No other entity meets the criteria to be considered a component unit of the District nor is the District a component unit of another entity. The financial statements of the Community Education Division are not separately presented.

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund, the Debt Service Fund, and the Capital Projects Fund as its major governmental funds in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Service, Scholarship and Athletics Funds.

Debt Service Funds – The Debt Service Funds are used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds – The Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Fiduciary Funds

Agency Fund – The Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District considers cash and cash equivalents to be cash on hand, demand deposits and certificates of deposit.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

State Anticipation Note

The District issued notes through the Michigan Municipal Bond Authority for cash flow purposes. The District has pledged a portion of their state aid to repay the principal and interest on the notes. Furthermore, the District has irrevocably pledged its full faith and credit in case of the insufficiency of the pledged state aid.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Compensated Absences

The School District' policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District’s policy to use the restricted resources first.

Property Taxes

Property taxes are levied on December 1, on behalf of the District by various taxing units and are payable without penalty by July 1 and September 30. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting

The District follows the budgetary process prescribed by provisions of the State of Michigan Uniform Budgeting and Accounting Act, and entails the preparation of budgetary documents within an established timetable. All funds are legally required to be budgeted and appropriated with the exception of fiduciary funds. The legal level of budgetary control has been established at the functional level with modifications made only by a resolution of the Board. At the close of each year, budget appropriations lapse.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2008, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

	Governmental Activities	Component Unit	Fiduciary Funds	Total Primary Government
Cash and equivalents	\$1,055,001	\$153,334	\$74,734	\$1,283,069
Investments	2,337,309	153,550	-	2,490,859
	<u>\$3,392,310</u>	<u>306,884</u>	<u>\$74,734</u>	<u>\$3,773,928</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. The carrying amounts of the School's deposit with financial institutions were \$1,283,069 and the bank balance was \$1,830,771. The bank balance is categorized as follows.

Amount insured by the FDIC	\$300,530
Amount uncollateralized and uninsured	1,530,241
	<u>\$1,830,771</u>

Investments

As of June 30, 2008, the District had the following investments.

Investment Type	Fair Value	Investment Maturities Less than 1 year
<i>Governmental Activities:</i>		
Michigan Liquid Asset Fund – Mutual Funds	\$2,296,939	\$2,296,939
Mutual Funds	40,370	40,370
<i>Component Unit:</i>		
Certificate of Deposit	153,550	153,550
	<u>\$2,490,859</u>	<u>\$2,490,859</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

The District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The District's investments are in accordance with statutory authority.

NOTE C – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved.

The amounts of interfund receivables and payables as of June 30, 2008 are as follows:

		DUE FROM OTHER FUNDS		
		General Fund	Athletic Fund	Total Due To Other Funds
DUE TO OTHER FUNDS	Lunch Fund	\$18,226	\$1,952	\$20,178
	Total Due From Other Funds	\$18,226	\$1,952	\$20,178

The amounts transferred to and from individual funds for the year ended June 30, 2008 are as follows:

		TRANSFERS OUT	
		General Fund	Total Transfers In
TRANSFERS IN	General Fund	\$-	\$-
	Lunch Fund	4,121	4,121
	Athletic Fund	139,668	139,668
	Total Transfers Out	\$143,789	\$143,789

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE D – CAPITAL ASSETS:

Capital asset activity of the School District's governmental activities was as follows:

NOTE D – CAPITAL ASSETS (Continued):

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
Capital assets not being depreciated:				
Land	\$41,000	\$-	\$-	\$41,000
Capital assets being depreciated:				
Land improvements	549,737	106,180	-	655,917
Buildings and additions	12,964,918	73,014	-	13,037,932
Machinery and equipment	783,360	491,325	-	1,274,685
Vehicles	1,101,702	126,000	-	1,227,702
Total Capital Assets	<u>15,440,717</u>	<u>796,519</u>	<u>-</u>	<u>16,237,236</u>
Less accumulated depreciation:				
Land improvements	\$(494,739)	\$(13,954)	\$-	(508,693)
Buildings and additions	(4,769,625)	(260,394)	-	(5,030,019)
Machinery and equipment	(473,697)	(42,973)	-	(516,670)
Vehicles	(1,015,946)	(46,934)	-	(1,062,880)
Total Accumulated Depreciation	<u>(6,754,007)</u>	<u>(364,255)</u>	<u>-</u>	<u>(7,118,262)</u>
CAPITAL ASSETS, NET	<u>\$8,686,710</u>	<u>\$432,264</u>	<u>\$-</u>	<u>\$9,118,974</u>

Depreciation expense charged to governmental activities was \$364,255.

Capital asset activity of the School District's component unit was as follows:

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
Capital assets being depreciated:				
Machinery and equipment	\$84,394	\$2,745	\$(330)	\$86,809
Total Capital Assets	<u>84,394</u>	<u>2,745</u>	<u>(330)</u>	<u>86,809</u>
Less accumulated depreciation:				
Machinery and equipment	(59,785)	(9,705)	215	(69,275)
Total Accumulated Depreciation	<u>(59,785)</u>	<u>(9,705)</u>	<u>215</u>	<u>(69,275)</u>
CAPITAL ASSETS, NET	<u>\$24,609</u>	<u>\$(6,960)</u>	<u>\$(115)</u>	<u>\$17,534</u>

Depreciation expense charged to component unit activities was \$9,705.

NOTE E – SHORT-TERM DEBT:

The District utilizes short-term borrowing secured with pledged state aid for cash flow purposes due to the timing of state aid payments. A summary of the changes in short-term debt for the year ended June 30, 2008 is as follows:

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
Short-term debt:				
State anticipation note, '06-07	\$2,000,000	\$-	\$2,000,000	\$-
State anticipation note, '07-08	-	2,200,000	-	\$2,200,000
TOTAL	<u>\$2,000,000</u>	<u>\$2,200,000</u>	<u>\$2,000,000</u>	<u>\$2,200,000</u>

NOTE F – ACCRUED EMPLOYEE BENEFITS:

The School District offers an unused sick leave incentive plan provided to teachers eligible to retire under the Michigan Teacher Retirement Act. This payment is based upon the accumulated sick days paid at a rate based upon the appropriate union contract. The sick leave liability has been calculated in accordance with GASB #16.

As of June 30, 2008, accrued employee benefits reported in the Statement of Net Assets consist of the following:

Early Retirement	\$85,000
Sick Leave	151,766
TOTAL	<u>\$236,766</u>

NOTE G – LONG-TERM DEBT:

The following is a summary of the long-term debt activity for the year ending June 30, 2008:

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08	Due within 1 year
2003 Refunding Bonds	\$6,700,000	\$-	\$(582,963)	\$6,117,037	\$577,037
School Improvement Bonds, Series 1998	144,044	-	-	144,044	13,577
Installment Loans payable	301,954	101,000	(79,875)	323,079	81,808
Subtotal	7,145,998	101,000	(662,838)	6,584,160	
Compensated absences	150,656	1,110	-	151,766	-
Early retirement	187,500	102,500	(205,000)	85,000	-
TOTAL	<u>\$7,484,154</u>	<u>\$204,610</u>	<u>\$(867,838)</u>	<u>6,820,926</u>	<u>\$672,422</u>

Long-term debt at June 30, 2008 consists of the following:

The District issued \$8,200,000 in general obligation bonds for the purpose of an advance refunding of the 1995 School Building & Site Bonds that were used for the construction of Aspen Ridge School. Portions of the refunding bonds, with interest rates that range from 2.00% to 4.05%, are redeemed annually beginning on May 1, 2003. Semiannual interest payments are paid on November 1 and May 1 of each year on the outstanding amount of the bonds. The remaining

bonds or portions of the bonds in multiples of \$5,000 maturing on or after May 1, 2014 are subject to redemption at the option of the District. A schedule of the District's remaining bond repayment requirements are as follows:

NOTE G – LONG-TERM DEBT (Continued):

2003 Refunding Bonds				
June 30, 2008				
	November 1	May 1		Total
	Interest	Interest	Principal	
2008-2009	\$109,445	\$109,444	\$577,037	\$795,926
2009-2010	100,820	100,819	565,000	766,639
2010-2011	91,638	91,638	585,000	768,276
2011-2012	81,766	81,766	575,000	738,532
2012-2013	71,991	71,991	565,000	708,982
2013-2018	208,705	208,704	2,725,000	3,142,409
2018-2021	10,631	10,631	525,000	546,262
	<u>\$674,996</u>	<u>\$674,993</u>	<u>\$6,117,037</u>	<u>\$7,467,026</u>

The School Improvement Bonds, Series 1998 (\$487,900) dated November 24, 1998 mature annually on May 15th, with interest at a rate of 4.75% per annum. The only revenue source for making the debt service payment on these School Improvement Bonds is an appropriation from the State of Michigan.

School Improvement Bonds			
Series 1998			
June 30, 2008			
	May 15		Total
	Interest	Principal	
2008-2009	\$3,555	\$13,577	\$17,132
2009-2010	2,908	14,222	17,130
2010-2011	2,231	14,900	17,131
2011-2012	1,522	15,608	17,130
2012-2013	29,363	85,737	115,100
	<u>\$39,579</u>	<u>\$144,044</u>	<u>\$183,623</u>

INSTALLMENT LOANS

The District entered into an installment purchase agreement to refinance the construction of a bus garage. The loan agreement dated November 20, 2001 at an original amount of \$268,694 bears a variable interest rate of 2.00% below prime. The loan, which is secured by a bus garage, bears an interest rate of 5.25% as of June 30, 2008, and is payable in annual installments of \$34,398, with the unpaid principal and related interest due on November 2, 2011. The outstanding balance at June 30, 2008 is \$109,059.

The District entered into an installment lease purchase agreement to finance the purchase of computer classroom equipment. The lease agreement dated March 31, 2005 at an original amount of \$70,420 bears an interest rate of 7.257% and is payable in annual installments of \$19,496 including interest, maturing March 31, 2008. The outstanding balance at June 30, 2008 is \$0.

The District entered into an installment purchase agreement to finance the purchase of three buses. The loan agreement dated November 1, 2005 at an original amount of \$180,651 bears an interest rate of 4.40% and is payable in annual installments of \$41,036 including interest, maturing September 15, 2010. The outstanding balance at June 30, 2007 is \$113,020.

NOTE G – LONG-TERM DEBT (Continued):

The District entered into an installment purchase agreement to finance the purchase of four buses. The loan agreement dated August 17, 2007 at an original amount of \$101,000 bears an interest rate of 4.45% and is payable in annual installments of \$22,937 including interest, maturing September 1, 2012. The outstanding balance at June 30, 2008 is \$101,000.

As of June 30, 2008 the aggregate maturities of long-term debt for the next succeeding five years are as follows:

	Principal	Interest	Total
2008-2009	\$672,422	\$238,302	\$910,724
2009-2010	663,402	216,564	879,966
2010-2011	686,595	197,056	883,651
2011-2012	638,890	166,973	805,863
2012-2013	672,851	174,329	847,180
2013-2018	2,725,000	417,409	3,142,409
2018-2021	525,000	212,262	546,262
	<u>\$6,584,160</u>	<u>\$1,431,895</u>	<u>8,016,055</u>
	Employer Benefits Payable		236,766
	TOTALS		<u><u>\$8,252,821</u></u>

NOTE H – RESERVED FUND EQUITY:

The School District reserves fund equities for the following funds:

Debt Service Funds - The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement.

Capital Projects Funds – The resources of the Capital Projects Funds have been accumulated for the specific purpose of capital needs of the District.

Scholarship Funds - The resources of the Scholarship Funds have been accumulated from private contributions for the specific purpose of granting scholarships to students of the District.

NOTE I – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE:

For the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the average of pupil membership counts taken in February and October of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2007 - August 2008. The local revenue is recognized as outlined in Note A – Property Taxes.

NOTE J – PROPERTY TAXES:

The taxable value of real and personal property, which represents approximately 50% of the estimated current value, located in the District for the 2007 taxable year, totaled \$175,326,874 (consisting of \$98,665,326 for Homestead and \$76,661,548 for Non-Homestead). The tax levy for the year was based on a rate of 18.00 mills on the non-homestead property (one mill is equal to \$1.00 per \$1,000 of taxable value) and is remitted to the District's general fund by the taxing unit.

NOTE K – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 17.74% of covered compensation to the Plan through September 30, 2007 and 16.72% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2008 was \$1,161,112 which consisted of \$987,206 from the District and \$173,906 from employees electing the MIP option. These represent approximately 17% and 3% of covered payroll, respectively. The District's aggregate contributions to the MPERS plan for the years ended June 30, 2007, and 2006 were \$1,206,795 and \$1,114,767, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2008 was approximately \$5,825,000 and the District's total payroll was approximately \$ 5,975,000.

Other Post-Employment Benefits

In addition to pension benefits, MPERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by

NOTE K – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued):

MPERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPERS is factored into the pension contribution rate.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPERS at MPERS, P.O. Box 30673, Lansing, Michigan 48909-8173.

NOTE L – CONTINGENT LIABILITIES:Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE M – ECONOMIC DEPENDENCY:

The School District receives approximately 73 percent of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of NICE Community School District.

NOTE N – SINKING FUNDS:

The Sinking Fund Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

NOTE O – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities utilized. The School District recognized \$11,914 during the fiscal year 2007-08 in revenues and expenditures for USDA commodities.

NOTE P – SINGLE AUDIT:

The District's audited financial statements report a total of \$368,133 in federal expenditures. As this amount is less than the single audit threshold of \$500,000, the District is therefore not required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2008.

NOTE Q – EXCESS OF ACUTAL EXPENDITURES OVER BUDGETED:

The Michigan Department of Education's ("Department") interpretation of the Uniform Budgeting and Accounting Act (PA 621) evaluates budget violations at the total expenditure level and total other financing sources (uses) level, rather than at the line item level for the General Fund only. The Department has established a one percent threshold of each total.

The NICE Community School District was found to be in violation of the Michigan Department of Education's interpretation for the following line item levels:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>1 % Threshold</u>
Other Financing Sources (Uses)	<u>\$(352,320)</u>	<u>\$(379,768)</u>	<u>\$(27,448)</u>	<u>\$(3,523)</u>

REQUIRED SUPPLEMENTAL INFORMATION

**NICE Community School District
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Property taxes	\$ 1,375,000	\$ 1,378,000	\$ 1,373,704	\$ 3,000	\$ (4,296)
Other local sources	154,700	145,300	158,885	(9,400)	13,585
State sources	8,334,491	8,513,415	8,562,961	178,924	49,546
Federal sources	241,330	226,218	233,316	(15,112)	7,098
Other sources	180,931	121,667	174,305	(59,264)	52,638
TOTAL REVENUES	10,286,452	10,384,600	10,503,171	98,148	118,571
EXPENDITURES:					
Current:					
Instruction	6,754,106	6,540,584	6,351,792	213,522	188,792
Supporting services	3,272,344	3,802,803	3,651,101	(530,459)	151,702
Debt service:					
Principal	77,727	80,000	52,720	(2,273)	27,280
Interest and fees	7,820	6,000	7,812	1,820	(1,812)
Capital outlay	-	-	176,407	-	(176,407)
TOTAL EXPENDITURES	10,111,997	10,429,387	10,239,832	(317,390)	189,555
EXCESS REVENUES OVER (UNDER) EXPENDITURES	174,455	(44,787)	263,339	(219,242)	308,126
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	-	101,000	101,000	101,000	-
Insurance recoveries	11,477	8,680	8,680	(2,797)	-
Transfers from other funds	-	-	-	-	-
Transfer to local districts	(330,000)	(320,000)	(345,659)	10,000	(25,659)
Transfers to other funds	(130,000)	(142,000)	(143,789)	(12,000)	(1,789)
TOTAL OTHER FINANCING SOURCES (USES)	(448,523)	(352,320)	(379,768)	96,203	(27,448)
NET CHANGE IN FUND BALANCE	(274,068)	(397,107)	(116,429)	(123,039)	280,678
Fund balance, July 1	918,686	918,686	918,686	-	-
FUND BALANCE, JUNE 30	\$ 644,618	\$ 521,579	\$ 802,257	\$ (123,039)	\$ 280,678

**NICE Community School District
Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Property taxes	\$ 430,000	\$ 430,000	\$ 434,715	\$ -	\$ 4,715
Other local sources	252,000	252,000	246,603	-	(5,397)
Other sources	22,000	22,000	29,929	-	7,929
TOTAL REVENUES	704,000	704,000	711,247	-	7,247
EXPENDITURES:					
Debt service:					
Principal	585,000	585,000	582,963	-	2,037
Interest and fees	240,000	240,000	236,439	-	3,561
Capital outlay	-	-	-		
Other	8,650	8,650	8,125	-	525
TOTAL EXPENDITURES	833,650	833,650	827,527	-	6,123
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(129,650)	(129,650)	(116,280)	-	13,370
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(129,650)	(129,650)	(116,280)	-	13,370
Fund balance, July 1	768,774	768,774	768,774	-	-
FUND BALANCE, JUNE 30	\$ 639,124	\$ 639,124	\$ 652,494	\$ -	\$ 13,370

**NICE Community School District
Capital Projects - Sinking Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Property taxes	\$ 275,000	\$ 275,000	\$ 294,232	\$ -	\$ 19,232
Other local sources	267,000	267,000	264,262	-	(2,738)
Other sources	6,000	6,000	5,422	-	(578)
TOTAL REVENUES	548,000	548,000	563,916	-	15,916
EXPENDITURES:					
Debt service:					
Principal	27,200	27,200	27,155	-	45
Interest and fees	7,400	7,400	7,243	-	157
Capital outlay	550,000	550,000	653,089	-	(103,089)
Other	-	-	-	-	-
TOTAL EXPENDITURES	584,600	584,600	687,487	-	(102,887)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(36,600)	(36,600)	(123,571)	-	(86,971)
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(36,600)	(36,600)	(123,571)	-	(86,971)
Fund balance, July 1	249,880	249,880	249,880	-	-
FUND BALANCE, JUNE 30	\$ 213,280	\$ 213,280	\$ 126,309	\$ -	\$ (86,971)

OTHER SUPPLEMENTAL INFORMATION

**NICE Community School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2008**

	Special Revenue Funds	Total
ASSETS:		
Cash and equivalents	\$ 22,890	\$ 22,890
Due from other funds	1,952	1,952
Investments	40,370	40,370
Accounts receivable	2,559	2,559
TOTAL ASSETS	\$ 67,771	\$ 67,771
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accounts payable	\$ 2,513	\$ 2,513
Due to other funds	20,178	20,178
TOTAL LIABILITIES	22,691	22,691
FUND BALANCES:		
Reserved for:		
Debt service	-	-
Scholarships and endowments	45,080	45,080
Capital projects	-	-
Unreserved	-	-
TOTAL FUND BALANCES	45,080	45,080
TOTAL LIABILITIES AND FUND BALANCES	\$ 67,771	\$ 67,771

**NICE Community School District
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008**

	Special Revenue Funds	Total
REVENUES:		
Property taxes	\$ -	\$ -
Other local sources	262,616	262,616
State sources	15,077	15,077
Federal sources	133,668	133,668
Other	7,179	7,179
	<u>418,540</u>	<u>418,540</u>
TOTAL REVENUES	<u>418,540</u>	<u>418,540</u>
EXPENDITURES:		
Supporting services	578,835	578,835
Community services	5,700	5,700
Debt service:		
Principal	-	-
Interest	-	-
Capital outlay	-	-
Other	-	-
	<u>584,535</u>	<u>584,535</u>
TOTAL EXPENDITURES	<u>584,535</u>	<u>584,535</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(165,995)	(165,995)
OTHER FINANCING SOURCES (USES):		
Transfers from other funds	143,789	143,789
	<u>143,789</u>	<u>143,789</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>143,789</u>	<u>143,789</u>
NET CHANGE IN FUND BALANCE	(22,206)	(22,206)
Fund Balance, July 1	67,286	67,286
	<u>67,286</u>	<u>67,286</u>
FUND BALANCE, JUNE 30	<u>\$ 45,080</u>	<u>\$ 45,080</u>

**NICE Community School District
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2008**

	Hot Lunch Fund	Athletics Fund	Scholarships Fund	Total
ASSETS:				
Cash and equivalents	\$ 20,178	\$ (1,998)	\$ 4,710	\$ 22,890
Due from other funds	-	1,952	-	1,952
Investments	-	-	40,370	40,370
Accounts receivable	-	2,559	-	2,559
TOTAL ASSETS	<u>\$ 20,178</u>	<u>\$ 2,513</u>	<u>\$ 45,080</u>	<u>\$ 67,771</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ -	\$ 2,513	\$ -	\$ 2,513
Due to other funds	20,178	-	-	20,178
TOTAL LIABILITIES	<u>20,178</u>	<u>2,513</u>	<u>-</u>	<u>22,691</u>
FUND BALANCES:				
Reserved:				
Scholarships and endowments	-	-	45,080	45,080
Unreserved	-	-	-	-
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>45,080</u>	<u>45,080</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,178</u>	<u>\$ 2,513</u>	<u>\$ 45,080</u>	<u>\$ 67,771</u>

**NICE Community School District
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008**

	Hot Lunch Fund	Athletics Fund	Scholarships Fund	Total
REVENUES:				
Other local sources	\$ 177,584	\$ 87,544	\$ (2,512)	\$ 262,616
State sources	15,077	-	-	15,077
Federal sources	133,668	-	-	133,668
Other	-	7,179	-	7,179
TOTAL REVENUES	326,329	94,723	(2,512)	418,540
EXPENDITURES:				
Supporting services	344,444	234,391	-	578,835
Community services	-	-	5,700	5,700
TOTAL EXPENDITURES	344,444	234,391	5,700	584,535
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,115)	(139,668)	(8,212)	(165,995)
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,121	139,668	-	143,789
TOTAL EXPENDITURES	4,121	139,668	-	143,789
NET CHANGE IN FUND BALANCE	(13,994)	-	(8,212)	(22,206)
Fund Balance, July 1	13,994	-	53,292	67,286
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ 45,080	\$ 45,080

**NICE Community School District
Hot Lunch Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Federal aid:			
Entitlement payments	\$ 121,000	\$ 121,754	\$ 754
Donated commodities	-	11,914	11,914
State aid:			
Entitlement payments	16,000	15,077	(923)
Student lunches	89,000	91,051	2,051
Adult lunches	300	214	(86)
Ala carte sales	84,000	83,966	(34)
Interest earned	2,000	2,353	353
Miscellaneous	-	-	-
TOTAL REVENUES	<u>312,300</u>	<u>326,329</u>	<u>14,029</u>
EXPENDITURES:			
Salaries	103,920	105,495	(1,575)
Fringe benefits	46,380	47,890	(1,510)
Purchased services	-	1,768	
Other costs and expenses	12,000	15,176	(3,176)
Food and milk	149,000	162,201	(13,201)
Donated commodities	-	11,914	(11,914)
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>311,300</u>	<u>344,444</u>	<u>(31,376)</u>
EXCESS REVENUES (EXPENDITURES)	1,000	(18,115)	(17,347)
OTHER FINANCING SOURCES:			
Transfer from other funds	-	4,121	4,121
Transfer to other funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>4,121</u>	<u>4,121</u>
NET CHANGE IN FUND BALANCE	1,000	(13,994)	(13,226)
Fund Balance, July 1	<u>13,994</u>	<u>13,994</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 14,994</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (13,226)</u></u>

**NICE Community School District
Athletics Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Ticket sales	\$ 31,650	\$ 38,186	\$ 6,536
Family passes	12,000	14,058	2,058
Tourney receipts	-	100	100
Pay to play fees	37,000	35,200	(1,800)
Miscellaneous	7,250	7,179	(71)
TOTAL REVENUES	87,900	94,723	6,823
EXPENDITURES:			
Salaries	95,528	96,820	(1,292)
Fringe benefits	24,000	23,456	544
Purchased services	65,000	68,271	(3,271)
Supplies and materials	32,900	30,012	2,888
District tourney	-	1,021	(1,021)
Capital outlay	-	-	-
Other	7,200	14,811	(7,611)
TOTAL EXPENDITURES	224,628	234,391	(9,763)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(136,728)	(139,668)	(2,940)
OTHER FINANCING SOURCES (USES):			
Transfer from other funds	135,000	139,668	4,668
TOTAL OTHER FINANCING SOURCES (USES)	135,000	139,668	4,668
NET CHANGE IN FUND BALANCE	(1,728)	-	1,728
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	\$ (1,728)	\$ -	\$ 1,728

**NICE Community School District
Ishpeming-Negaunee-NICE Community Education Division
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Federal Sources:			
Grants - restricted - received through State:			
Adult Basic Education	\$ 29,200	\$ 34,200	\$ 5,000
Karl Perkins grant	3,400	3,427	27
	<u>32,600</u>	<u>37,627</u>	<u>5,027</u>
Total Federal Sources			
State Sources:			
Payment received from other school districts:			
Adult Membership Aid	24,800	32,024	7,224
Student Membership Aid	245,000	266,908	21,908
Vocational Education	8,000	8,100	100
	<u>277,800</u>	<u>307,032</u>	<u>29,232</u>
Total State Sources			
Local Sources:			
Adult and student tuition	57,000	59,021	2,021
Earnings from investments and deposits	8,000	10,864	2,864
Other local revenue	2,500	901	(1,599)
	<u>67,500</u>	<u>70,786</u>	<u>3,286</u>
Total Local Sources			
Other Governmental Units:			
Transfers from other governmental units	28,300	18,425	(9,875)
	<u>28,300</u>	<u>18,425</u>	<u>(9,875)</u>
Total Other Governmental Units			
TOTAL REVENUES	<u>406,200</u>	<u>433,870</u>	<u>27,670</u>
EXPENDITURES:			
Instruction:			
Added Needs:			
Vocational Education			
Salaries	3,000	3,000	-
Fringe benefits	734	620	114
Supplies and materials	4,266	3,047	1,219
	<u>8,000</u>	<u>6,667</u>	<u>1,333</u>
Total Vocational Education			

NICE Community School District
Ishpeming-Negaunee-NICE Community Education Division
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Adult/Continuing Education:			
Secondary			
Salaries	\$ 151,854	\$ 157,519	\$ (5,665)
Fringe benefits	40,853	38,835	2,018
Purchased services	41,300	41,067	233
Supplies and materials	13,500	24,206	(10,706)
Total Secondary Education	247,507	261,627	(14,120)
Adult Enrichment			
Salaries	21,693	19,300	2,393
Fringe benefits	3,971	2,357	1,614
Purchased services	2,500	2,036	464
Supplies and materials	1,100	603	497
Total Adult Enrichment	29,264	24,296	4,968
Student Enrichment			
Salaries	21,183	13,796	7,387
Fringe benefits	2,974	1,515	1,459
Purchased services	2,500	2,462	38
Supplies and materials	1,600	582	1,018
Total Student Enrichment	28,257	18,355	9,902
Summer Program			
Salaries	8,160	5,943	2,217
Fringe benefits	1,579	360	1,219
Purchased services	2,000	1,810	190
Supplies and materials	700	775	(75)
Total Summer Program	12,439	8,888	3,551
Marquette Boys Choir			
Salaries	9,350	9,160	190
Fringe benefits	-	-	-
Purchased services	7,500	6,980	520
Supplies and materials	2,400	1,820	580
Other	750	-	750
Total Summer Program	20,000	17,960	2,040
TOTAL INSTRUCTION	345,467	337,793	7,674

NICE Community School District
Ishpeming-Negaunee-NICE Community Education Division
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Supporting Services:			
Pupil Services:			
Salaries	2,984	2,300	684
Fringe benefits	316	-	316
Purchased services	-	-	-
	<u>3,300</u>	<u>2,300</u>	<u>1,000</u>
Total Pupil Services			
	<u>3,300</u>	<u>2,300</u>	<u>1,000</u>
School Administration:			
Salaries	46,904	46,905	(1)
Fringe benefits	10,150	14,680	(4,530)
Purchased services	13,900	15,728	(1,828)
Supplies and materials	3,500	4,362	(862)
	<u>74,454</u>	<u>81,675</u>	<u>(7,221)</u>
Total School Administration			
	<u>74,454</u>	<u>81,675</u>	<u>(7,221)</u>
Operations & Maintenance			
Salaries	\$ 700	\$ 820	\$ (120)
Purchased services	1,300	2,289	(989)
Supplies and materials	600	339	261
	<u>2,600</u>	<u>3,448</u>	<u>(848)</u>
Total Operations & Maintenance			
	<u>2,600</u>	<u>3,448</u>	<u>(848)</u>
TOTAL SUPPORTING SERVICES	<u>80,354</u>	<u>87,423</u>	<u>(7,069)</u>
Capital Outlay	12,900	(74)	12,974
Depreciation	-	9,705	(9,705)
	<u>12,900</u>	<u>(74)</u>	<u>12,974</u>
TOTAL EXPENDITURES	<u>438,721</u>	<u>434,847</u>	<u>3,874</u>
NET CHANGE IN FUND BALANCE	<u>(32,521)</u>	<u>(977)</u>	<u>31,544</u>
Fund Balance, July 1	325,093	325,093	-
	<u>325,093</u>	<u>325,093</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 292,572</u>	<u>\$ 324,116</u>	<u>\$ 31,544</u>

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Education
NICE Community School District
Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the NICE Community School District, as of and for the year ended June 30, 2008, which collectively comprise the NICE Community School District's basic financial statements and have issued our report thereon dated October 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the NICE Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NICE Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the NICE Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the NICE Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the NICE Community School District's financial statements that is more than inconsequential will not be prevented or detected by the NICE Community School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the NICE Community School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education
NICE Community School District
Ishpeming, Michigan 49849

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NICE Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying report to management letter, as items(s) 08-01.

This report is intended solely for the information and use of management, Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 13, 2008



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

NICE Community School District
Report to Management Letter
For the Year Ended June 30, 2008

Board of Education
NICE Community School District
Ishpeming, Michigan 49849

In planning and performing our audit of the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of NICE Community School District, Ishpeming, Michigan as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered NICE Community School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

INSTANCES OF NONCOMPLIANCE

08-01 -Uniform Budgeting and Accounting Act (PA 621)

Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that a government unit shall not incur expenditures in excess of the amount appropriated. The Michigan Department of Education ("Department") evaluates violations with the Uniform Budgeting and Accounting Act (PA 621) at the total expenditure level and total other financing sources (uses) level, rather than at the line item level for the General Fund only. The Department established a one percent threshold for each total. As enumerated upon in Footnote P of the financial statements NICE Community School District was found to be in violation of the Department's interpretation of PA 621.

Effect: The NICE Community School District is not in compliance with State Law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The NICE Community School District should strictly control expenditures in the General Fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management Response – Corrective Action Plan:

Contact person(s) responsible for correction:

- James DeLongchamp, Business Manager

Corrective action planned:

- The overage was caused by one 2007-08 invoice, which did not arrive until September 2008, 3 months after year end. By September the final budget has been approved and cannot be amended. The NICE Community School District plans on and has contacted the other school district to receive such invoices earlier and to be notified if there will be drastic increases planned from the previous year's amount so that appropriate changes can be made to the District's final budget.

Anticipated completion date:

- June 30, 2009

OTHER MATTERS

FDIC Coverage Limits

Effective October 3, 2008 through December 31, 2009 the Federal Deposit Insurance Corporation's (FDIC) coverage limits will increase from \$100,000 to \$250,000 per owner. The FDIC defines an "owner" by Tax Identification Number (EIN); therefore, any accounts included under the School District's EIN are considered the School District's and are to be recorded in the School District's financial statements. Any outlying organizations currently under the School District's EIN that are not associated with School District should acquire a separate EIN.

This communication is intended solely for the information and use of management, the Board of Education, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 13, 2008